

Message Text

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PAGE 01 STATE 060064
ORIGIN EUR-12

INFO OCT-01 ISO-00 SSO-00 INRE-00 USIE-00 AID-05
CEA-01 CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10
IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 /099 R

DRAFTED BY EUR/RPE: R S GELBARD: FF
APPROVED BY EUR/RPE: P L LAASE
EB/IFD/OMA: W MILAM
EUR/NE: D GOODMAN (INFO)
TREASURY: J PRICE
FRB: B DANIELS (SUB)
CEA: J SHAFER (INFO)

-----024655 090041Z /75

O R 090016Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE
INFO AMEMBASSY COPENHAGEN
AMEMBASSY BRUSSELS

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USOECN, USEEC

E.O. 11652: N/A

TAGS: ECON, OECD, DA

SUBJECT: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE
(EDRC); ANNUAL REVIEW OF DENMARK

REF: A) PARIS 7959 B) COPENHAGEN 1586 C) COPENHAGEN 1513

1. WASHINGTON AGENCIES TEND TO AGREE WITH SECRETARIAT'S
AND MISSION'S VIEWS THAT OVERALL THERE ;AS BEEN RELATIVELY
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PAGE 02 STATE 060064

LITTLE IMPROVEMENT IN DANISH ECONOMIC OUTLOOK WHICH WOULD
PERMIT OPTIMISTIC THINKING. IN PARTICULAR, WE WOULD EM-
PHASIZE POINT MADE BY EMBASSY COPENHAGEN IN REF B, PARA 7,
THAT GIVEN DANISH SITUATION WE ARE RELUCTANT TO ENCOURAGE
ANY RELAXATION OF STRONG DEMAND MANAGEMENT POLICIES, SINCE
RELATIVELY LITTLE PROGRESS HAS BEEN MADE IN EITHER INTERNAL
OR EXTERNAL POSITIONS. (FYI. IN THIS CONNECTION, WE DO NOT

NECESSARILY SEE DENMARK AS ONE OF THOSE COUNTRIES THAT SHOULD BE CONSIDERING STIMULATIVE POLICIES AS PART OF EPC "CONCERTED ACTION". ONE POINT THAT WOULD BE SOMEWHAT TOO POLITICALLY SENSITIVE TO MAKE IS THAT DENMARK MIGHT FEEL SOMEWHAT LESS CONSTRAINED IF KRONE WERE NOT STILL APPRECIATING BY BEING TIED TO DM WITH THE SNAKE. END FYI).

2. PRESENT FORECASTS FOR EUROPE (AND OECD AREA) AS A WHOLE SHOW SOME INCREASE IN BOTH GROWTH AND TRADE OVER 1977.

GIVEN THAT, WE MIGHT HAVE EXPECTED HIGHER FORECAST IN PICK-UP OF EXPORT GROWTH THAN SECRETARIAT SHOWS.

3. MISSION SHOULD ALSO ASK DANES FOR MORE INFORMATION ON PLANS FOR THIS YEAR'S INCOMES POLICY, WHICH APPEARS AS IF IT WILL BE DIFFICULT TO IMPLEMENT. WHAT ARE THE ACTUAL WAGE CONTROLS THAT GOVERNMENT HAS IN ITS POWER? FURTHER INFORMATION ON HOW EXPIRATION OF PENSION FUND COMPENSATION SCHEME IS BEING HANDLED WOULD BE APPRECIATED.

4. POTENTIAL OF HOUSEHOLD SECTOR TO ABSORB GOVERNMENT BONDS IS PROBABLY LIMITED, ESPECIALLY CONSIDERING AMOUNT TAKEN LAST YEAR. WHAT IS EXPECTATION FOR THIS YEAR?

5. REF A, PARA 2 CITES INVESTMENT-SUPPORTING MEASURES WHICH KEPT BUSINESS-FIXED INVESTMENT STRONGER THAN EX-LIMITED OFFICIAL USE

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PAGE 03 STATE 060064

PECTED. WERE THESE MEASURES ASSOCIATED WITH EMPLOYMENT SUBSIDIES IN BUSINESS CONSTRUCTION INDUSTRY IN ADDITION TO RESIDENTIAL CONSTRUCTION, OR ARE THERE OTHER MEASURES INVOLVED? VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE060064
Document Source: CORE
Document Unique ID: 00
Drafter: R S GELBARD: FF
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780105-0369
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780387/aaaacvqo.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b06b4cca-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 7959, 78 COPENHAGEN 1586, 78 COPENHAGEN 1513
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3385933
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC): ANNUAL REVIEW OF DENMARK
TAGS: ECON, DA, OECD
To: PARIS
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b06b4cca-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014